

TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1000.
FILED, DECEMBER 5th. 1963.

NORTH RANKIN NICKEL MINES LIMITED

Full corporate name of Company
Incorporated under the laws of the Province of Ontario by Letters
Patent dated March 5th, 1951.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

Reference is made to previous
Filing Statement No. 73.

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	Investment in common shares of Panacolor, Inc. (See items 17 and 20(a)).
2. Head office address and any other office address.	Suite 405, 25 Adelaide Street West, Toronto 1, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	President and Director: S. A. PERRY, Apt. 712, 1 Benvenuto Place, Toronto 7, Ont. Corporate Secretary and Professional Mining Executive. Vice-President and Director and General Manager: W. W. WEBER, 1 Stratheden Road, Toronto 12, Ontario. Consulting Geologist - self employed. Secretary-Treasurer and Director: G. D. PATTISON, 235 Dawlish Avenue, Toronto 12, Ontario. Corporate Secretary and Professional Mining Executive. Asst. Secretary-Treasurer and Director: R. D. BELL, 7 H1 Mount Drive, Willowdale, Ontario. Corporate Secretary and Professional Mining Executive. Director: MURRAY COOPER, 2500 Bathurst Street, Toronto 19, Ontario. Mining Executive.
4. Share capitalization showing authorized and issued and outstanding capital.	Authorized: 6,000,000 shares of a par value of \$1.00 each. Issued and Outstanding: 5,469,534 shares.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	None
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	None
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	Not applicable.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	Not applicable.
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The Company has a strong financial position. Management intends to utilize the Company's funds in a manner which will result in reactivating Company operations. Management has examined and will continue to examine mining properties, and intends to implement exploration programs as recommended by its Consulting Geologist on any properties of merit.

10. Brief statement of company's chief development work during past year.	Mining and milling operations at the Company's mine at Rankin Inlet, Northwest Territories, were suspended late in September, 1962, because of the depletion of known profitable ore. After the suspension of operations certain supplies and equipment and the major part of the mine ancillary buildings were sold to the Government of Canada to assist in its program of maintaining the Eskimo population in the area. It is anticipated that the remaining plant and equipment at the mine will be sold within the next two years.																																															
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	None																																															
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Not applicable																																															
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	None																																															
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Not applicable																																															
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<table><tr><td><u>Registered Shareholder</u></td><td><u>No. of Shares</u></td><td colspan="2"><u>Beneficial Owner</u></td></tr><tr><td>Draper Dobie & Company Ltd., Toronto</td><td>379,361</td><td colspan="2">not known</td></tr><tr><td>Watt & Watt Ltd., Toronto</td><td>199,700</td><td colspan="2">" "</td></tr><tr><td>James Richardson & Sons, Winnipeg</td><td>148,509</td><td colspan="2">" "</td></tr><tr><td>T. A. Richardson & Co., Toronto</td><td>140,680</td><td colspan="2">" "</td></tr><tr><td>A. Jack Averick, New York, N.Y.</td><td>112,400</td><td colspan="2">registered holder</td></tr></table>				<u>Registered Shareholder</u>	<u>No. of Shares</u>	<u>Beneficial Owner</u>		Draper Dobie & Company Ltd., Toronto	379,361	not known		Watt & Watt Ltd., Toronto	199,700	" "		James Richardson & Sons, Winnipeg	148,509	" "		T. A. Richardson & Co., Toronto	140,680	" "		A. Jack Averick, New York, N.Y.	112,400	registered holder																					
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16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	To the knowledge of the officers and directors of the Company there is no person or group of persons whose shareholdings are large enough to affect control of the Company; however present management may be in a position to do so if it is able to obtain proxies from the shareholders referred to in item 15 and the other large shareholders of the Company.																																															
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	<table><tr><td><u>Investments - Shares</u></td><td><u>Shares</u></td><td><u>Book Value</u></td><td><u>Market Value</u></td></tr><tr><td colspan="4">Continental Copper & Steel Industries, Inc.</td></tr><tr><td>5% preferred stock of the par value of \$25.00 per share</td><td>15,000</td><td>\$274,607.62</td><td>\$290,250.00</td></tr><tr><td colspan="4">Panacolor, Inc., common shares of the par value of \$.20 U.S. per share (see item 20(a))</td></tr><tr><td><u>Investments - Short Term Deposits</u></td><td><u>Due Date</u></td><td><u>Rate</u></td><td><u>Amount</u></td></tr><tr><td>Guaranty Trust Company of Canada</td><td>Nov. 18/63</td><td>4$\frac{1}{4}$%</td><td>110,000.00</td></tr><tr><td>Guaranty Trust Company of Canada</td><td>Dec. 20/63</td><td>3-3/4%</td><td>275,000.00</td></tr><tr><td>Guaranty Trust Company of Canada</td><td>Dec. 27/63</td><td>3-3/4%</td><td>190,000.00</td></tr><tr><td></td><td></td><td></td><td>\$575,000.00</td></tr><tr><td>Accrued interest thereon</td><td></td><td></td><td>2,878.93</td></tr><tr><td></td><td></td><td></td><td><u>\$577,878.93</u></td></tr></table>				<u>Investments - Shares</u>	<u>Shares</u>	<u>Book Value</u>	<u>Market Value</u>	Continental Copper & Steel Industries, Inc.				5% preferred stock of the par value of \$25.00 per share	15,000	\$274,607.62	\$290,250.00	Panacolor, Inc., common shares of the par value of \$.20 U.S. per share (see item 20(a))				<u>Investments - Short Term Deposits</u>	<u>Due Date</u>	<u>Rate</u>	<u>Amount</u>	Guaranty Trust Company of Canada	Nov. 18/63	4 $\frac{1}{4}$ %	110,000.00	Guaranty Trust Company of Canada	Dec. 20/63	3-3/4%	275,000.00	Guaranty Trust Company of Canada	Dec. 27/63	3-3/4%	190,000.00				\$575,000.00	Accrued interest thereon			2,878.93				<u>\$577,878.93</u>
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18. Brief statement of any lawsuits pending or in process against company or its properties.	None																																															
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	<p>a) Pursuant to an agreement dated June 27, 1957, as amended July 1, 1958 and June 23, 1959, Consolidated Mogul Mines Limited was paid a fee of \$1,000.00 per month for providing management services to the Company. This agreement was terminated on October 20, 1963.</p> <p>b) Pursuant to a resolution of the Board of Directors the Company has paid Perry-Pattison Limited a fee of \$600.00 per month for providing the Company with head office accommodation, administration and secretarial services. Messrs. S. A. Perry, G. D. Pattison and R. D. Bell who are officers and directors of Perry-Pattison Limited are not paid any remuneration as officers of the Company.</p>																																															

FINANCIAL STATEMENTS

NORTH RANKIN NICKEL MINES LIMITED
(Incorporated under the laws of Ontario)

BALANCE SHEET

October 31, 1963

- ASSETS -

Current Assets:

Cash	40,051.38	
Demand deposits and accrued interest thereon	577,878.93	
Accounts receivable.	145,787.36	
Supplies at estimated realizable value . .	<u>11,349.44</u>	775,067.11

Investments, at cost (market value \$725,625.00) 727,420.12

Other Assets:

Mining claims and properties	1.00	
Buildings, machinery and equipment, at estimated realizable value.	118,360.20	
Preproduction development expenditures . .	<u>1.00</u>	118,362.20

\$1,620,849.43

- LIABILITIES -

Current Liabilities:

Accounts payable and accrued charges . . .		1,603.83
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Capital Stock

Authorized:

6,000,000 common shares of a par value of \$1.00 each.	<u>6,000,000.00</u>	
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Issued:


5,469,534 shares.	5,469,534.00	
Less: Discount on shares	<u>1,743,455.30</u>	3,726,078.70

Deficit

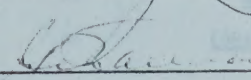
(2,106,833.10)

\$1,620,849.43

APPROVED:



Director



Director

NORTH RANKIN NICKEL MINES LIMITED

STATEMENT OF DEFICIT

For the four months period ended October 31, 1963

Balance, June 30, 1963 \$2,075,602.83

Add:

Net loss for the period 31,230.27

Balance, October 31, 1963 \$2,106,833.10

NORTH RANKIN NICKEL MINES LIMITED

STATEMENT OF PROFIT AND LOSS

For the four month period ended October 31, 1963

Expenses:

Mine shutdown and disposal expense	8,530.10	
Outside exploration.	<u>50.00</u>	8,580.10
Management fees.	4,000.00	
Stock transfer	4,676.23 ^{ap}	
Directors' fees.	2,600.00	
Administrative and office.	<u>7,804.23</u>	19,080.46
Legal and consulting fees with respect to Zimoco Petroleum Corporation transaction, not consumated		<u>22,420.39</u>
		50,080.95

Income:

Adjustment of production of nickel-copper concentrates	1,124.21	
Dividends	7,177.25	
Interest	<u>10,549.22</u>	<u>18,850.68</u>

Net loss for the period \$31,230.27

NORTH RANKIN NICKEL MINES LIMITED

SCHEDULE OF CHANGES IN WORKING CAPITAL

	Balance June 30, 1963	Balance October 31, 1963	Increase or (Decrease)
<u>Current assets:</u>			
Cash	16,908.90	40,051.38	23,142.48
Demand deposits and accrued interest thereon	552,173.51	577,878.93	25,705.42
Accounts receivable.	345,569.22	145,787.36	(199,781.86)
Shipments of concentrates in process of settlement.	307,433.00		(307,433.00)
Supplies	13,800.00	11,349.44	(2,450.56)
Prepaid expenses	1,134.20		(1,134.20)
	<u>1,237,018.83</u>	<u>775,067.11</u>	
 <u>Current liabilities:</u>			
Accounts payable and accrued charges	5,307.58	1,603.83	3,703.75
 <u>Net working capital</u>	<u>1,231,711.25</u>	<u>773,463.28</u>	<u>(458,247.97)</u>

NORTH RANKIN NICKEL MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the four months period ended October 31, 1963

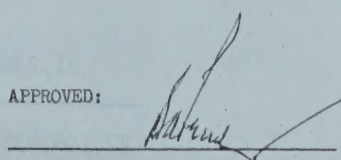
Source of funds

Proceeds from sale of machinery and equipment	25,794.80
Decrease in working capital	<u>458,247.97</u>
	<u>\$484,042.77</u>

Application of funds

Net loss for the period	31,230.27
Investment, 60,000 shares Panacolor Inc..	<u>452,812.50</u>
	<u>\$484,042.77</u>

APPROVED:

 Director

 Director

PANACOLOR, INC.

BALANCE SHEET DECEMBER 31, 1962

ASSETS		LIABILITIES	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash on hand and in banks*		Notes payable—bank (Note 3)	\$ 150,000.00
Inventories:		Accounts payable—trade	55,178.54
Film stock and chemicals	\$ 10,920.77	—others (construction, equipment, etc.)	62,600.26
Work in process	4,296.72	Accrued liabilities:	
Prepayments		Salaries, wages and vacation pay	26,422.27
TOTAL CURRENT ASSETS	\$ 17,866.11	Payroll, franchise, and other taxes	38,533.34
	\$ 77,324.84	Interest	7,650.00
		Other accruals	6,280.78
PROPERTY, PLANT AND EQUIPMENT—at Cost (Note 2):		Note payable—6%, secured by Deed of Trust, due September 1, 1963 (Note 3)	111,778.57
Land	\$ 60,243.71	TOTAL CURRENT LIABILITIES	\$ 458,443.76
Building including parking lot	126,532.50		
Office furniture and equipment	\$ 186,776.21	LONG-TERM DEBT (Note 3):	
Plant installation and equipment:	11,323.65	6% convertible note, dated January 31, 1961—due February 1, 1971	\$ 500,000.00
Production units and production control	553,715.92	6% subordinate convertible notes—due February 1, 1971*	230,000.00
Plant improvements (mainly temperature and humidity control system)	301,910.12	TOTAL LONG-TERM DEBT	730,000.00
Chemical mix room	68,273.39		
Testing and research laboratory	20,643.75	CONTINGENT LIABILITIES AND COMMITMENTS (Note 4)	
Machine shop	32,058.52	TOTAL LIABILITIES	\$1,188,443.76
Construction in progress	179,202.92		
	\$1,353,904.48		
Less accumulated depreciation of building, parking lot, office furniture and equipment, machine shop and research equipment	16,973.19	COMMON STOCK—par value \$.20 per share	
TOTAL PROPERTY, PLANT AND EQUIPMENT		Authorized	—2,000,000 shares
		Issued and outstanding— 765,250 shares (including 15,250 shares paid for in December 1962, issued February 1, 1963—Notes 5 and 6)	\$ 153,050.00
OTHER ASSETS AND DEFERRED CHARGES—at Cost:		COMMON STOCK PURCHASE WARRANTS—30,000 warrants outstanding	300.00
Patent applications	\$ 14,312.66	PAID-IN SURPLUS (Note 7)	1,165,350.29
Trademark expense	3,918.99		\$1,318,700.29
Organization expense	2,227.08	DEDUCT DEFICIT (Note 8)	1,071,523.65
Deposits and miscellaneous receivables	905.54	TOTAL	247,176.64
TOTAL OTHER ASSETS AND DEFERRED CHARGES	21,364.27		\$1,435,620.40
TOTAL	\$1,435,620.40		

* During the period January 1, 1963 to March 15, 1963, cash received through the sale at par of additional 6% subordinate convertible notes due February 1, 1971, amounted to \$520,000.00 less expense estimated to be not in excess of \$1,000.00.

See accompanying notes.

See accompanying notes.

PANACOLOR, INC.

Statement of Income and Expenses For the Year Ended December 31, 1962

INCOME:

Interest income on time certificates of deposit	\$ 776.08
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EXPENSES:

Factory Expense

Salaries and wages—officers	\$ 43,080.00
—other	330,221.56
Payroll and other taxes	28,848.18
Employees' welfare fund, etc.	17,997.02
Filmstock and chemicals	56,658.04
Outside services	20,591.42
Power, gas and water	12,727.51
Miscellaneous factory supplies	10,867.80
Other factory expenses	13,427.72
Insurance	5,016.35
Maintenance	12,434.14
Equipment rental	17,837.81
Depreciation—building, parking lot, machine shop and research equipment	9,488.05
Advance royalty payment—Estate of Michele P. L. Martinez	3,900.00
SUBTOTAL	\$583,095.60
Less salaries, wages and overhead expense allocated to property, plant, equipment and construction in progress	198,953.35
TOTAL FACTORY EXPENSE	\$384,142.25

Sales Promotion, General and Administrative Expense

Sales promotion, including \$4,125.03 salary	\$ 13,615.62
General and administrative salaries—officers	43,500.00
—other	22,345.33
Payroll and other taxes	4,212.78
Office and miscellaneous administrative expense	18,810.44
Travel and entertainment expense	11,713.42
Legal and professional	17,830.03
Transfer agent and other corporate expense	10,046.06
Depreciation—office furniture and equipment	1,361.31
Interest—note secured by deed of trust	6,874.82
—6% convertible note	30,000.00
—6% subordinate convertible notes	2,650.00
—bank notes	4,005.85
TOTAL SALES PROMOTION, GENERAL AND ADMINISTRA- TIVE EXPENSE	\$186,965.66

Total Expenses	\$571,107.91
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Net Expenses Transferred to Deficit (Note 8)	\$570,331.83
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See accompanying notes.

PANACOLOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) ACCOUNTING PRINCIPLES:

The Company maintains its books on the accrual method of accounting. Substantially all expenditures, other than those incurred in the construction of production units and other plant, property and equipment, are charged to expense.

On December 3, 1962 the Company formed a wholly-owned subsidiary, Panopix Research, Inc., under the laws of the State of New York with an authorized capital stock of 10,000 shares of a par value of \$1.00 per share. The Company subscribed to 1,000 shares of such stock for which it paid \$1,000.00 subsequent to December 31, 1962. The investment was not reflected on the Company's books on that date. The subsidiary is to engage in research and development in the field of optics. Operations commenced after December 31, 1962.

(2) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are valued at cost. The apportionment of the cost of the real property as between land and building is in accordance with a report of an independent appraiser. Cost of machinery constructed by the Company comprises payments made to contractors and outside suppliers, as well as the Company's own direct engineering and fabricating salaries and wages incurred in construction and an appropriate allocation of plant overhead expense.

Depreciation has been computed on the "straight-line" method at the following annual rates:

Building	4%
Parking lot	6 3/4 %
Office furniture and equipment.....	10% to 20%
Machine shop and research equipment.....	10%

The Company intends to depreciate plant installation and equipment over a seven to ten year period beginning in 1963.

(3) LIABILITIES:

The notes payable to a bank are endorsed by several of the Company's stockholders.

The 6% note payable to the seller of the real property is secured by Deed of Trust. Principal and interest are payable in installments of \$1,000.00 or more on the first day of each month beginning October 1, 1960 and continuing until September 1, 1963 at which time the remainder of the principal amounting to \$108,644.12 is due and payable.

The \$500,000.00 6% convertible note dated January 31, 1961 is convertible in whole or in part before its maturity date of February 1, 1971 into Common Stock of the Company at the conversion price of \$4.50 per share and the

Company has reserved 111,111 shares of its authorized but unissued Common Stock to provide for such conversion.

In June 1962 the Board of Directors authorized the issuance of \$750,000.00 principal amount of 6% subordinate convertible notes to mature February 1, 1971. On December 31, 1962 \$230,000.00 principal amount of such notes had been issued at par and the balance of \$520,000.00 was subsequently issued at par prior to March 15, 1963.

The 6% subordinate convertible notes are convertible in whole or in part before February 1, 1971 into Common Stock of the Company at the conversion rate of \$7.50 per share and the Company has reserved 100,000 shares of its authorized but unissued Common Stock to provide for such conversion. Such notes provide for pro-rata annual sinking fund payments to noteholders of amounts equal to 20% of the consolidated net income after income taxes of each fiscal year commencing January 1, 1964, payable on April 30 of each succeeding year at the option of each noteholder.

The note dated January 31, 1961 and the subordinate notes require the Company to maintain at all times after October 15, 1964 to maturity a net working capital of \$250,000.00 and the Company may not apply any sum to the redemption, retirement or purchase of any shares of any class of its capital stock.

(4) CONTINGENT LIABILITIES AND COMMITMENTS:

(a) Agreement with Metro-Goldwyn-Mayer Inc. and Estate of Michele P. L. Martinez:

On May 27, 1957 (re-affirmed on February 5, 1958) the Company entered into an agreement with Loew's Incorporated, now Metro-Goldwyn-Mayer Inc. ("MGM") wherein the latter assigned and transferred to the Company Loew's right, title and interest in and to the agreement, dated March 1, 1954, between it and Michele P. L. Martinez. In consideration of the execution of the agreement of May 27, 1957, the Company agreed that it would pay to Loew's the sum of \$100,000.00 in royalties by making payments to Loew's of the sum of one-half mil (\$.0005) per lineal foot of commercial film produced by the Company or any licensee upon the terms and conditions described in such agreement. The agreement also retained for the benefit of MGM various rights including a non-exclusive right to use the "Martinez Process" and any and all improvements thereon commercially, for its own use. The "Martinez Process" preceded the development by the Company of the Panacolor process which is a photographic film printing system for providing color movie films ready for exhibition.

On May 8, 1961 the Company and MGM entered into an agreement under which the Company agreed among other things to pay MGM \$200,000.00 in royalties on commercial film produced, printed, processed or developed

PANACOLOR, INC.

NOTES TO FINANCIAL STATEMENTS—Continued

under any process, in lieu of \$100,000.00 as agreed upon on May 27, 1957 and MGM agreed not to exercise for a period of ten years its aforementioned non-exclusive right to use the "Martinez Process"; and if at the end of such ten-year period \$200,000.00 in total royalties have been paid to MGM, it will then permanently surrender such non-exclusive right; if, however, at the end of such ten-year period the Company has not paid to MGM total royalties of \$200,000.00, MGM's agreement not to exercise such non-exclusive rights shall terminate.

Under an agreement between the Company and the Executrix of the Estate of Michele P. L. Martinez, dated September 15, 1957, the Company is liable to pay to the Estate advance royalties in the amount of \$75.00 per week and, upon starting commercial production of film, is obligated to pay to the Estate one-half mil (\$.0005) per foot royalty on film commercially produced up to a total amount of \$52,000.00 per year with the aforementioned advance royalty payments being deductible therefrom. This agreement is effective for a period of twenty years from its date, with a renewal option in favor of the Company for a term of another twenty years. However, the Company has the sole right to cancel the agreement at any time by giving sixty days' notice in writing to the Executrix and shall thereafter be relieved of any and all obligations. Any cancellation or termination is subject to the rights and interests of the inventor and of MGM (from whom the Company had acquired its right in and to the "Martinez Process" by assignment) under the original agreement.

(b) Leases, etc.:

On December 31, 1962 the Company was obligated under long-term equipment lease contracts aggregating \$134,262.31 payable in annual amounts as follows:

1963:	\$21,606.39
1964 through 1967:	\$21,821.76 each year
1968:	\$20,250.45
1969:	\$ 4,903.06, and
1970:	\$ 215.37

The leases provide for termination at the request of the Company prior to the end of the terms set forth in the contracts; in such event the Company shall pay terminations fees ranging from 15% to 50% of the rentals earned.

The Company is the guarantor in respect of a \$30,000.00 bank loan.

On December 31, 1962, the Company was committed under purchase contracts (mainly for film) in amounts aggregating approximately \$74,000.00.

Completion cost of machinery and equipment under construction on December 31, 1962 is estimated at \$110,000.00.

(5) CAPITAL STOCK:

In June 1961 the Company sold to underwriters 30,000 Common Stock Purchase Warrants for a total cash consideration of \$300.00. The warrants entitle the holders to purchase until June 6, 1966 30,000 shares of Common Stock at \$4.00 per share.

Pursuant to the agreement of May 8, 1961—see Note 4—the Company on July 11, 1961 sold to MGM 50,000 shares of Common Stock for \$200,000.00 and also granted options to MGM to purchase 100,000 shares of Common Stock expiring July 11, 1964 as follows:

(a) 50,000 shares, or any part thereof, at \$7.50 per share at any time within two years from July 11, 1961, and

(b) 50,000 shares, or any part thereof, at \$10.00 per share at any time within three years from July 11, 1961, with the right on the part of MGM, prior to July 11, 1964, to exercise at \$10.00 per share any part of the option under "(a)" with respect to which it has not exercised its right at \$7.50 per share.

In December 1962, certain officers of the Company made anticipatory cash payments totaling \$53,375.00 in respect of 15,250 shares of Common Stock issued to them on February 1, 1963 upon their exercise at \$3.50 per share of Restricted Stock Options granted them on January 31, 1961. Of this amount \$3,050.00 was credited to Common Stock and the balance of \$50,325.00 to Paid-in Surplus. On February 1, 1963, the market value of the 15,250 shares of Common Stock was \$148,687.50.

(6) STOCK OPTION PLAN:

Under a Restricted Stock Option Plan adopted by the Board of Directors on January 31, 1961, 100,000 shares of authorized, but unissued shares of Common Stock have been reserved for issuance to officers and key employees. Options covering 86,750 shares of the Common Stock were granted on January 31, 1961 at \$3.50 per share, this option price being considered by the Board of Directors to be at least 110% of the then fair market value of \$1.00 per share; total option price on such date being \$306,775.00 and total market price \$87,650.00. Options covering 3,000 shares of Common Stock were granted on December 18, 1961 at \$7.50 per share, this option price being considered by the Board of Directors to be at least 95% of the then fair market value of \$7.875 per share; total option price on such date being \$22,500.00 and total market price \$23,625.00. Options covering 4,000 shares of Common Stock were granted on November 28, 1962 at \$6.50 per share, this option price being considered by the Board of Directors to be at least 95% of the then fair market value of \$6.80 per share; total option price on such date being \$26,000.00 and total market price \$27,200.00. Under the

PANACOLOR, INC.

NOTES TO FINANCIAL STATEMENTS—Concluded

plan the holder of an option may not exercise any part thereof for the first two years; thereafter he may exercise 25% during the third year; 25% during the fourth year; 25% during the fifth year; and the balance during sixty (60) days after the end of the fifth year, all on a cumulative basis.

Allowing for the 15,250 shares issued on February 1, 1963 upon the exercise of options at \$3.50 per share—see Note 5—, Restricted Stock Options outstanding after that date cover 78,500 shares of Common Stock.

(7) PAID-IN SURPLUS:

Balance—January 1, 1962	\$1,107,900.29
Add:	
Conversion in February 1962 of 3,750 shares of \$2.00 par value Preferred Stock (the balance of the Preferred issue) into 1,875 shares of \$.20 par value Common Stock	7,125.00
\$3.30 per share on 15,250 shares of \$.20 par value Common Stock issuable February 1, 1963 upon exercise of Restricted Stock Options for which anticipatory cash payments were received in December 1962—See Note (5)	50,325.00
Balance—December 31, 1962	<u>\$1,165,350.29</u>

(8) DEFICIT:

Balance—January 1, 1962	\$ 501,191.82
Add:	
Net Expenses during the year ended December 31, 1962—per Statement of Income and Expenses	570,331.83
Balance—December 31, 1962	<u>\$1,071,523.65</u>

PANACOLOR, INC.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
PANACOLOR, INC.
New York, N. Y.

We have examined the Balance Sheet of PANACOLOR, INC. (a Delaware Corporation) as of December 31, 1962 and the related Statement of Income and Expenses for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned statements, with the notes thereto, present fairly the financial position of PANACOLOR, INC. at December 31, 1962 and the income and expenses for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

ALFRED R. BACHRACH & Co.
Certified Public Accountants

New York, N. Y.
March 22, 1963

PANACOLOR, INC AND SUBSIDIARY PANOPIX RESEARCH, INC.
CONSOLIDATED BALANCE SHEET - OCTOBER 31, 1963

A S S E T S

Current Assets:

Imprest fund	\$	325.00	
Cash in Marine Midland Trust Co., N.Y.		474,101.85	
Cash in Bank of Commerce - Panacolor		61,062.50	
Cash in Bank of Commerce - Panopix		532.18	
Cash in Bank of America, L.A.		4,316.24	
Cash in United California Bank, L.A.		<u>100,500.00</u>	
Total Cash and Banks	(Consolidated)		\$ 640,837.77
Accounts Receivable	(Consolidated)		137,075.36
Inventories of film and chemicals, estimated			24,926.88
Prepayments:			
Insurance		3,599.43	
Rentals of equipment		<u>4,277.86</u>	<u>3,877.39</u>
Total Current Assets	(Consolidated)		810,717.30

Property, plant and equipment, at cost:

Land and Land improvements		61,268.47	
Building		125,507.74	
Building equipment		301,558.43	
Machinery and production equipment		724,184.05	
Office furniture and equipment		12,787.74	
Construction in progress		<u>372,080.58</u>	
		1,597,387.01	
Less allowance for depreciation		<u>97,581.74</u>	1,499,805.27
Other assets and deferred charges:			
Patent applications		14,945.36	
Organization expense - Panacolor		62,614.87	
Organization expense - Panopix		22,241.11	
Trade names and Trade mark expenses		<u>4,634.04</u>	<u>104,435.38</u>
Total Assets	(Consolidated)		\$ <u>2,414,938.95</u>

L I A B I L I T I E S

Current liabilities:

Accounts payable, equipment purchases & trade	\$	54,686.72	
Accounts payable, withholdings	(Consolidated)	8,647.26	
Notes payable, 6% Deed of Trust, current portion		5,719.57	
Accrued salaries and wages		13,726.79	
Accrued vacation and holiday expense - union		17,228.10	
Accrued taxes	(Consolidated)	18,668.22	
Accrued interest		31,000.00	
Accrued expenses, other		<u>5,388.13</u>	
Total Current Liabilities	(Consolidated)		\$ 155,064.79
Note payable, 6% Deed of Trust, less current portion			101,547.33
6% senior convertible notes, due June 1, 1970			1,000,000.00
6% convertible note, due February 1, 1971			350,000.00
6% convertible notes, due February 1, 1971			750,000.00

C A P I T A L

Common stock \$.20 par:

Authorized shares	2,000,000		
Outstanding shares	862,145	\$	172,429.00
Common stock purchase warrants; issued 30,000			300.00
Paid-in surplus		<u>1,728,434.79</u>	
		1,901,165.79	
Deficit at December 31, 1962	\$	1,071,523.65	
Add'l charges for 10 mos end Oct 31, 1963		<u>771,296.31</u>	<u>1,842,819.96</u>
Total Capital			<u>38,345.00</u>
Total Capital and Liabilities	(Consolidated)		\$ <u>2,414,938.95</u>

PANACOLOR, INC AND SUBSIDIARY PANOFIX RESEARCH, INC.
CONSOLIDATED PROFIT AND LOSS STATEMENT - OCTOBER 31, 1963

	Current Month <u>October</u>	Previous Month <u>September</u>	Net Change <u></u>	Year to Date <u></u>
<u>Sales</u>				
Answer Prints - 35mm	\$ -0-	\$ -0-	\$ -0-	\$ 13,570.14
Production Prints - 35mm	44,090.16	1,482.65	42,607.51	195,330.39
Special Services	-0-	22,335.76	(22,335.76)	61,373.84
Shipping Charges/Customers	-0-	-0-	-0-	459.23
Total Sales	<u>44,090.16</u>	<u>23,818.41</u>	<u>20,271.75</u>	<u>270,733.87</u>
<u>Cost of Goods Sold</u>				
Inventories	37,286.13	22,023.71	15,262.42	251,606.85
Royalties	1,135.05	325.59	809.46	6,866.38
Production Expenses	27,514.18	33,613.14	(6,098.96)	418,475.01
Film & Chemicals	7,219.24	22,116.82	(14,897.58)	135,554.49
Total Production Costs	<u>73,154.60</u>	<u>78,079.26</u>	<u>(4,924.66)</u>	<u>812,502.73</u>
Net Production Expense	<u>\$ 29,064.44</u>	<u>\$ 54,260.85</u>	<u>\$ (25,196.41)</u>	<u>\$ 541,768.86</u>
<u>Operating Expenses</u>				
Sales Expense	\$ 839.17	\$ 1,778.76	\$ (939.59)	\$ 17,503.54
General and Administrative	12,115.23	6,253.23	5,862.00	124,768.00
Eng'g Test & Research	-0-	-0-	-0-	224.86
Total Operating Expense	<u>12,954.40</u>	<u>8,031.99</u>	<u>4,922.41</u>	<u>142,496.40</u>
<u>Other Income & Expense</u>				
Other Income	1,955.00	69.35	1,885.65	1,763.65
Other Expense - Interest	11,038.64	11,040.94	(2.30)	83,794.70
Total Other Income & Exp.	<u>9,083.64</u>	<u>10,971.59</u>	<u>(1,987.95)</u>	<u>87,031.05</u>
Total Operations Expense	<u>\$ 51,102.48</u>	<u>\$ 73,264.43</u>	<u>\$ (22,161.95)</u>	<u>\$ 771,296.31</u>

20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.

(a) Pursuant to an agreement dated October 7, 1963 between the Company and Panacolor, Inc., 100 East 42nd Street, New York 17, New York, U.S.A., the Company did on October 29, 1963 purchase from Panacolor, Inc., 60,000 of its common treasury shares of the par value of \$.20 U.S. each, at the price of \$7.00 U.S. per share (\$452,812.50 Cdn. funds). The Company agreed with Panacolor, Inc. that the said shares were being acquired for investment purposes and would not be distributed or resold unless:

- (i) a valid registration with respect to the said 60,000 shares shall be in effect under the Securities Act of 1933, as amended; or
- (ii) a "no action" letter with respect to the sale of said shares shall have been received from the Securities and Exchange Commission; or
- (iii) an opinion has been received from Panacolor's Counsel that neither (i) nor (ii) is required.

Panacolor has agreed that subsequent to January 1, 1964 it will at the Company's request file a registration statement under the Securities Act of 1933 and use its best efforts to cause the same to become effective. The Company will request Panacolor, Inc. to file the said registration immediately after January 1, 1964.

Panacolor, Inc., a Delaware corporation, was formed six years ago to develop a new process for optically printing both color film and sound tracks on black and white film stock with a significant improvement in quality and at considerably reduced costs. Recently the first feature-length motion picture printed in the new Panacolor film process was released by Warner Bros., and is now being shown throughout the United States.

Panopix Research, Inc., a wholly owned subsidiary of Panacolor, Inc., has recently signed a contract with Zeiss-Ikon AG, West Germany, for the production of a new type of audio-visual projector for education, business and home use. The projector is expected to sell for less than one-half the price of currently competing equipment; the unique long-playing film cartridges in colour and sound will cost less than one-fourth the price of available films.

According to Panacolor, production engineering and planning of the projector and cartridges is now underway at Zeiss and Panacolor, and the first production prototype is expected to be completed in February, 1964.

The shares of Panacolor, Inc. are traded on the unlisted market in the United States. On October 29, 1963 the date when the Company acquired the investment in Panacolor, the shares were quoted as \$7.00 U.S. bid, \$7-3/8 U.S. ask on that market.

The Company considers Panacolor to be a sound investment with unique opportunities for capital appreciation. Several prominent investment groups in the United States including The Value Line Special Situations Fund, Inc., Metro-Goldwyn-Mayer Inc. and several large well known insurance companies have also invested in the securities of Panacolor.

At the present time there are 862,145 common shares of Panacolor issued and outstanding. The Company's investment represents approximately a 7% interest in Panacolor.

The transaction with Panacolor was at arms length and no officer or director of the Company has any interest in Panacolor.

(b) The shares of the Company are not in the course of primary distribution to the public.

(c) There are no other material facts.

CERTIFICATE OF THE COMPANY

DATED November 18, 1963

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"S.A. Perry"

"G.D. Pattison"

NORTH RANKIN NICKEL MINES LIMITED

CORPORATE

SEAL

Director

Director

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)